The *Reader's Digest* condensed version of

The Road to Serfdom

The Road to Serfdom

FRIEDRICH A. HAYEK

The condensed version of *The Road to Serfdom* by F. A. Hayek as it appeared in the April 1945 edition of *Reader's Digest*

The Institute of Economic Affairs

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Those who would give up essential liberty to purchase a little temporary safety deserve neither liberty nor safety.

Benjamin Franklin

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THE AUTHORS

Friedrich A. Hayek

Friedrich A. Hayek (1899–1992) was born in Vienna and obtained two doctorates from the University of Vienna, in law and political economy. He worked under Ludwig von Mises at the Austrian Institute for Business Cycle Research, and from 1929 to 1931 was a lecturer in economics at the University of Vienna. His first book, *Monetary Theory and the Trade Cycle,* was published in 1929. In 1931 Hayek was made Tooke Professor of Economic Science and Statistics at the London School of Economics, and in 1950 he was appointed Professor of Social and Moral Sciences at the University of Chicago. In 1962 he was appointed Professor of Political Economy at the University of Freiburg where he became Professor Emeritus in 1967. Hayek was elected a Fellow of the British Academy in 1944, and in 1947 he organised the conference in Switzerland which resulted in the creation of the Mont Pélerin Society. He was awarded the Nobel Prize in Economics in 1974 and was created a Companion of Honour in 1984. In 1991 George Bush awarded Hayek the Presidential Medal of Freedom. His books include *The Pure Theory of Capital,* 1941, *The Road to Serfdom,* 1944, *The Counter-Revolution of Science,* 1952, *The Constitution of Liberty,* 1960, *Law, Legislation and Liberty,* 1973–9, and *The Fatal Conceit,* 1988.

John Blundell

John Blundell is General Director of the Institute of Economic Affairs. He was previously President of the Institute for Humane Studies at George Mason University and the Atlas Economic Research Foundation, founded by the late Sir Antony Fisher to establish 'sister' organisations to the IEA. He serves on the boards of both organisations as well as on the board of the Mont Pélerin Society.

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Edwin J. Feulner Jr has served as President of the Heritage Foundation since 1977. He is also the immediate past President of the Mont Pélerin Society. He previously served in high-level positions in both the legislative and executive branches of the federal government. He received his Ph.D. from the University of Edinburgh and was awarded the Presidential Citizen's Medal by Ronald Reagan in 1989 for 'being a leader of the conservative movement by building an organisation dedicated to ideas and their consequences . . . '

FOREWORD

John Chamberlain characterised the period immediately following World War II in his foreword to the first edition of *The Road to Serfdom* as ‘a time of hesitation’. Britain and the European continent were faced with the daunting task of reconstruction and reconstitution. The United States, spared from the physical destruction that marked Western Europe, was nevertheless recovering from the economic whiplash of a war-driven economic recovery from the Great Depression. Everywhere there was a desire for security and a return to stability.

The intellectual environment was no more steady. The rise and subsequent defeat of fascism had provided an extremely wide flank for intellectuals who were free to battle for any idea short of ethnic cleansing and dictatorial political control. At the same time, the mistaken but widely accepted notion that the unpredictability of the free market had caused the depression, coupled with four years of war-driven, centrally directed production, and the fact that Russia had been a wartime ally of the United States and England, increased the mainstream acceptance of peace-time government planning of the economy.

At this hesitating, unstable moment appeared the slim volume of which you now hold the condensed version in your hands, F. A. Hayek’s *The Road to Serfdom.* Occupying his spare time between September 1940 and March 1944, the writing of *The Road to*

Serfdom was in his own words more 'a duty which I must not evade'[1] than any calculated contribution to his curriculum vitae. As Hayek saw it, he was merely pointing out 'apprehensions which current tendencies [in economic and political thought] must create in the minds of many who cannot publicly express them ...'[2] But as is often the case, this duty-inspired task had tremendous consequences unintended by the author.

Hayek employed economics to investigate the mind of man, using the knowledge he had gained to unveil the totalitarian nature of socialism and to explain how it inevitably leads to 'serfdom'. His greatest contribution lay in the discovery of a simple yet profound truth: man does not and cannot know everything, and when he acts as if he does, disaster follows. He recognised that socialism, the collectivist state, and planned economies represent the ultimate form of *hubris*, for those who plan them attempt – with insufficient knowledge – to redesign the nature of man. In so doing, would-be planners arrogantly ignore traditions that embody the wisdom of generations; impetuously disregard customs whose purpose they do not understand; and blithely confuse the law written on the hearts of men – which they cannot change – with administrative rules that they can alter at whim. For Hayek, such presumption was not only a 'fatal conceit', but also 'the road to serfdom'.

The impact of the simple ideas encapsulated in *The Road to Serfdom* was immediate. The book went through six impressions in the first 16 months, was translated into numerous foreign languages, and circulated both openly in the free world and clandes-

1 Hayek, F. A., *The Road to Serfdom,* London: Routledge, 1944, p. v.
2 *Ibid.,* p. vii.

tinely behind the emerging iron curtain. It is no exaggeration to say that *The Road to Serfdom* simultaneously prevented the emergence of full-blown socialism in Western Europe and the United States and planted seeds of freedom in the Soviet Union that would finally bear fruit nearly 45 years later. Socialist catchphrases such as 'collectivism' were stricken from the mainstream political debate and even academic socialists were forced to retreat from their defence of overt social planning.

But the true value of *The Road to Serfdom* is to be found not in the immediate blow it dealt to socialist activists and thinkers – as important as that was – but in the lasting impression it has made on political and economic thinkers of the past 55 years. By Hayek's own admission, 'this book . . . has unexpectedly become for me the starting point of more than 30 years' work in a new field'.[3]

EDWIN J. FEULNER JR
November 1999

3 Although these words were written in 1976 it is safe to say that the influence of *The Road to Serfdom* guided Hayek's work until his death in 1992.

INTRODUCTION

HAYEK, FISHER AND *THE ROAD TO SERFDOM*[1]

My story begins with a young Englishman named Lionel Robbins, later Lord Robbins of Clare Market. In 1929, at the age of only 30, he had been appointed Professor of Economics at the London School of Economics and Political Science (LSE), a college of the University of London. He was arguably the greatest English economist of his generation, and he was fluent in German. This skill alerted him to the work of a young Austrian economist, Friedrich Hayek, and he invited his equally young counterpart to lecture at the LSE. Such was the success of these lectures that Hayek was appointed Tooke Professor of Economic Science and Statistics at the LSE in 1931, and became an English citizen long before such status had become a 'passport of convenience'.

In the 1930s John Maynard Keynes was in full flow. He was the most famous economist in the world, and Hayek was his only real rival. In 1936 Keynes published his infamous *General Theory of Employment, Interest and Money*.[2] Hayek was tempted to demolish this nonsense but he held back, for a very simple and very human reason. Two years earlier, a now forgotten Keynesian tract (*A Trea-*

1 This introduction is based on a speech given by the author on 26 April 1999 to the 33rd International Workshop 'Books for a Free Society' of the Atlas Economic Research Foundation (Fairfax, VA) in Philadelphia, PA.

2 Keynes, J. M., *The General Theory of Employment, Interest and Money,* London, Macmillan, 1936.

tise on Money)[3] had been ripped apart by Hayek in a two-part journal review. Keynes had shrugged off the attack with a smile, saying as they passed one day in Clare Market: 'Oh, never mind; I no longer believe all that.' Hayek was not about to repeat the demolition job on *The General Theory* in case Keynes decided, at some future point, that he no longer believed in 'all that' either – a decision I heard Hayek regret often in the 1970s.

War came and the LSE was evacuated from central London to Peterhouse College, Cambridge. Typically, Keynes arranged rooms for his intellectual arch-rival Hayek at King's College where Keynes was Bursar and – also typically – Hayek volunteered for fire duty. That is, he offered to spend his nights sitting on the roof of his college watching out for marauding German bombers.

It was while he sat out there at night that he began to wonder about what would happen to his adopted country if and when peace came. It was clear to Hayek that victory held the seeds of its own destruction. The war was called 'the People's War' because – unlike most previous wars – the whole population had fought in one way or another. Even pacifists contributed by working the land to feed the troops. Hayek detected a growing sense of 'As in war, so in peace' – namely that the government would own, plan and control everything. The economic difficulties created by the war would be immense: people would turn to government for a way out. And so, as Hayek penned his great classic, *The Road to Serfdom*, he was moved not only by a love for his adopted country but also by a great fear that national planning, that socialism, that the growth of state power and control would, inevitably, lead the UK and the US to fascism, or rather National Socialism.

3 Keynes, J. M., A *Treatise on Money*, London, Macmillan, 1930.

Antony Fisher, the man who did

So let me talk now about *The Road to Serfdom* and one man in particular who was moved by its lessons to do something. That man is the late Antony George Anson Fisher, or AGAF as we referred to him, and still do.

Fisher came from a family of mine owners, members of parliament, migrants and military men. He was born in 1915 and soon followed by his brother and best friend Basil. His father was killed by a Turkish sniper in 1917. Brought up in South East England by his young widowed mother, an independent New Zealander from Piraki, Akaroa, AGAF attended Eton and Cambridge where he and his brother both learnt to fly in the University Air Squadron. On graduating, Antony's several initiatives included:

- a car rental firm – a success
- a plane rental firm – also a success; and
- the design and manufacture of a cheap sports car called the Deroy – a failure because of a lack of power.

At the start of the war Antony and Basil volunteered for the RAF and were soon flying Hurricanes in III Squadron in the Battle of Britain. One day Basil's plane was hit by German fire. He bailed out over Selsey Bill but his parachute was on fire and both plane and man plummeted to the ground, separately.

A totally devastated Antony was grounded for his own safety, but used his time productively to develop a machine (the Fisher Trainer) to teach trainee pilots to shoot better. He was also an avid reader of *Reader's Digest*. Every copy was devoured, read aloud to his family, heavily underlined and kept in order in his study. His first child, Mark, recalls a wall of Antony's study lined with row

upon row of years – decades even – of copies of *Reader's Digest*.

So how did our fighter pilot Fisher come across our academic Hayek? What follows is the story I have pieced together. Not all parts of it are accepted by all interested parties, but the pieces do fit. So this is my story and I'm sticking to it.

The marriage of true minds

The Road to Serfdom was published in March 1944 and, despite wartime paper shortages, it went through five reprints in the UK in 15 months. In spite of this, owing to wartime paper rationing, the publishers, Routledge, were unable to keep up with demand and Hayek complained that *The Road to Serfdom* had acquired a reputation for being 'that unobtainable book'.[4] It was such an incredible hit that Hayek lost track of the reviews and critics were moved to write whole books attacking him in both the UK and the US. Dr Laurence Hayek, only son of F. A. Hayek, owns his late father's own first edition copy of *The Road to Serfdom* as well as the printers' proof copy with Hayek's corrections. On the inside back cover of the former Hayek began listing the reviews as they came out. The list reads as follows:

Tablet	11/3/44	(Douglas Woodruff)
Sunday Times	12/3	(Harold Hobson one or two sentences)
	9/4	(G. M. Young)
Birmingham Post	14/3	(TWH)

4 Quoted in Cockett, R., *Thinking the Unthinkable: Think Tanks and the Economic Counter-Revolution, 1931–1983*, London, Fontana, 1995, p. 85.

Yorkshire Post	29/3	
Financial News	30/3	
Listener	30/3	
Daily Sketch	30/3	(Candidus)
Times Literary Supplement	1/4	
Spectator	31/3	(M. Polanyi)
Irish Times	25/3	
Observer	9/4	(George Orwell)
Manchester Guardian	19/4	(W)

But, as Hayek said to me in 1975, they started coming so fast he lost track and stopped recording them.

In early 1945 the University of Chicago Press published the US edition of *The Road to Serfdom* and, like Routledge in the UK, found themselves unable to meet the demand for copies owing to paper rationing. However, in April 1945 the book finally reached a mass audience when the *Reader's Digest* published their condensed version. (Hayek thought it impossible to condense but always commented on what a great job the *Reader's Digest* editors did.) Whereas the book publishers had been dealing in issues of four or five thousand copies, the *Reader's Digest* had a print run which was measured in hundreds of thousands. For the first and still the only time, they put the condensed book at the front of the magazine where nobody could miss it – particularly a *Digest* junkie like Fisher.

The *Reader's Digest* appeared while Hayek was on board a ship en route to the USA for a lecture tour which had been arranged to coincide with the US book publication. He arrived to find himself a celebrity:

> . . . I was told all our plans were changed: I would be going on a nationwide lecture tour beginning at NY Town Hall . . . Imagine my surprise when they drove me there the next day and there were 3,000 people in the hall, plus a few score more in adjoining rooms with loudspeakers. There I was, with this battery of microphones and a veritable sea of expectant faces .[5]

Now I get to the detective work. That late spring/early summer of 1945 saw both Hayek and Fisher on the move. Hayek had spent the whole of the war at Cambridge but now it was safe for the LSE to return to London. Fisher had spent the war stationed all over the UK training pilots in gunnery and rising to the rank of Squadron Leader. He too was on the move to the War Office (now the Ministry of Defence) in central London, just a ten-minute walk from the LSE. Laurence Hayek and the LSE both confirm the dates of Hayek's move, while Fisher's RAF record, recently obtained from the Ministry of Defence by his elder son Mark, clearly dates his.

Forty years later both Hayek and Fisher were not overly helpful about exactly what happened next. Hayek in particular used to claim he had absolutely *no* recollection *whatsoever* of Fisher ever coming to him for advice. Fisher on the other hand was always very clear and very consistent about the dialogue – almost verbatim – but not so helpful on exactly how it happened. Here is how I believe it came about.

Fisher, the *Digest* junkie, is already politically active and is also worried about the future for his country. The April 1945 edition

5 Interview with Hayek in *The Times,* 5 May 1985, quoted in Cockett, *op. cit.*, pp. 100–101.

lands on his desk as he is moving to London and, after reading the cover story, he notes on the front that the author is at the University of London. A phone call establishes that the LSE is back in place and, one lunchtime or late one afternoon, Fisher makes the short walk from his office to the LSE and knocks on Hayek's door. Fisher also recalled the physical setting of Hayek's office in minute and accurate detail including its proximity to that of the dreaded Harold Laski. Fisher claimed that after small talk (which neither excelled at) the conversation went like this:

Fisher I share all your worries and concerns as expressed in *The Road to Serfdom* and I'm going to go into politics and put it all right.

Hayek No you're not! Society's course will be changed only by a change in ideas. First you must reach the intellectuals, the teachers and writers, with reasoned argument. It will be *their* influence on society which will prevail, and the politicians will follow.

I have this quote framed above my desk alongside Keynes's famous line: 'The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.'[6]

Finally on this issue, let me quote Fisher's own words of 3 July 1985 when he spoke at a party at the IEA to celebrate its 30th

6 Keynes, *The General Theory of Employment, Interest and Money, op. cit.*, p. 383.

birthday. (This would have been the 30th anniversary of the IEA's first book in June 1955 rather than incorporation in November 1955 or the actual opening in 1957.) At that party in July 1985 Fisher said:

> It was quite a day for me when Friedrich Hayek gave me some advice which must be *40 years ago almost to the day* and which completely changed my life. Friedrich got me started . . . and two of the things he said way back are the things which have kept the IEA on course. One is to keep out of politics and the other is to make an intellectual case . . . if you can stick to these rules you keep out of a lot of trouble and apparently do a lot of good.

As I said, 30 years later, on countless occasions, Hayek did not dispute the event or disown the advice, he simply said he could not remember. But it is of course very Hayekian advice and very much in keeping with his classic essay 'The Intellectuals and Socialism', which came out just a few years later and which has just been republished by the IEA.[7] This was hardly a blueprint for action – 'reach the intellectuals' – and indeed the next decade saw little direct fallout from that conversation, although three American intellectual entrepreneurs who had also sought out Hayek did get the ball rolling in the US.

The road to the IEA

Hayek taught at the LSE, got divorced in Arkansas, remarried, moved to Chicago and wrote *The Constitution of Liberty*.

7 Hayek, F. A., *The Intellectuals and Socialism,* Rediscovered Riches No. 4, London, IEA, 1998.

Fisher tried stockbroking, became a farmer, wrote a very prescient monograph, 'The Case for Freedom',[8] imported the idea of factory-farming of chickens, championed liberty in many different campaigns, visited the US looking for institute models he could copy, published *The Free Convertibility of Sterling* by George Winder,[9] incorporated the Institute of Economic Affairs, hired Ralph Harris and, as he always did, having hired the talent let it rip with a very hands-off approach to management. (When in 1987 he entrusted to me the future of the Atlas Economic Research Foundation, the body dedicated to building new IEAs around the world, he made it very clear that he was there if I wanted his help but that he really did expect me to crack on on my own.)

To begin with, in the late 1950s, it was not at all clear what the IEA would do. The exchange control book by Winder had been short, easily understood and on a fairly narrow but important topic. It had sold out its 2,000 print run very quickly because of Henry Hazlitt's review in *Newsweek*. Unfortunately the printer who had also sold the book for Antony went bankrupt, and the 2,000 names and addresses of the purchasers were lost. But Fisher had visited the Foundation for Economic Education in Irvington-on-Hudson, New York, had been exposed to its magazine, *The Freeman*, and still adored *Reader's Digest*. Harris had been a party political man turned academic turned editorial writer, while Arthur Seldon, the first editorial director, had been a research assistant to the famous LSE economist Arnold Plant before becoming chief economist of a brewers' association. Out of this mish-mash of experiences – academic, business, political, journalistic – came the

8 Fisher, A., *The Case for Freedom,* London, Runnymede Press, undated.

9 Winder, G., *The Free Convertibility of Sterling,* London, The Batchworth Press for the Institute of Economic Afrairs, 1955.

distinctive IEA approach of short monographs containing the very best economics in good, jargon-free English, written by academics (mostly) or quasi-academics, in language accessible to the layman but still of use to the expert.

In the early days it was hard to find authors, hard to raise money and hard to get reviews and sales. At times everybody had to down pens to raise money or quickly pick up pens to co-author a paper. The first clear success of this venture – inspired by *The Road to Serfdom*, advised by Hayek, implemented by Fisher and run by Harris and Seldon – was the repeal of Resale Price Maintenance in 1964, a fantastic reform. It effectively outlawed the prevailing practice by which manufacturers priced goods – they literally stamped the price on the article – and discounting was illegal. There was no such thing as shopping around. This change alienated the small-business vote and put the Tories out for six years, but it transformed the UK economy and allowed a nation of shopkeepers to spread their wings. It was clearly heralded by a 1960 IEA study, *Resale Price Maintenance and Shoppers' Choice* by Basil Yamey.[10] Other successes followed and the IEA's impetus grew, but what was happening to Hayek and Fisher?

Hayek had moved from Chicago back to Europe, and in December 1974 received the Nobel Prize. He was 75 and his health had not been good. He was also depressed. However the prize (and the big cheque) cheered him up no end.

Fisher had sold the chicken business for millions and had put a large part of his minority share into an experimental turtle farm in the Cayman Islands. Well, the experiment worked brilliantly but

10 Yamey, B. S., *Resale Price Maintenance and Shoppers' Choice,* Hobart Paper No. 1, London, IEA, 1960.

the environmentalists closed down his largest market – the US.[11] He refused to hide behind limited liability and used the balance of his fortune to pay off all debts.

1974 – now 30 years after *The Road to Serfdom* – was a big year for Fisher too, because, free from business concerns, he was able to respond to businessmen and others around the world who noted the IEA's growing influence and came to him for advice.

Sowing the seed

So the entrepreneur turned fighter pilot turned gunnery trainer turned stockbroker turned dairy farmer turned chicken pioneer turned turtle saviour became the Johnny Appleseed of the free-market movement, going all over the world and setting up new IEA-type operations.

First he joined the very young Fraser Institute in Vancouver, BC; quickly moved on to help Greg Lindsay and the Centre for Independent Studies in Australia; hired David Theroux, recently departed from the Cato Institute, to set up the Pacific Research Institute in San Francisco; gave support to the Butler brothers and Madsen Pirie as they founded the Adam Smith Institute in London; and incorporated with William Casey the Manhattan Institute where, as they did so, they sat on movers' boxes in an otherwise empty office.

It took ten years to give birth to Institute No. 1 – the IEA. For all but twenty years it was the only one in the family; in just six years five more were born, and then the fun really started. In 1981 Fisher

11 For a full account see Fosdick, P. and S., *Last Chance Lost: Can and Should Farming Save the Green Sea Turtle?*, York, PA, Irvin S. Naylor, 1994.

incorporated the Atlas Economic Research Foundation to be a focal point for institutes and to channel funds to start-ups. By the time of his death in 1988 we listed 30-plus institutes in 20 or so countries. By 1991 we were listing 80 and I now count about 100 in 76 countries.

All of this can be traced back to this young economist, his book, the *Reader's Digest* condensation, and a young RAF officer . . . through the IEA . . . through CIS/PRI/ASI/Manhattan and Fraser . . . to 100 institutes in 76 countries today, who together are literally changing the world.

To illustrate our impact, let me finish with a story from Lord Howell of Guildford, a minister in the 1980s. He came into my office recently and pointed at the big boardroom table where I work every day and which was donated by Antony in the late 1960s. Howell said: 'You know, John, it was at that table that we first got serious about privatisation in 1968. The idea fizzled in the 1970s, took off in the 1980s and in the 1990s burns brightly around the world.' I replied: 'Yes, it burns so brightly that last year world-wide privatisation revenues topped $100 billion for the first time.'

So it is quite a story we have to tell and it all begins here with the condensed version of *The Road to Serfdom* and the cartoon version drawn to my attention only recently by Laurence Hayek. Read the condensed version, now published in our 'Rediscovered Riches' series for the first time since its original appearance in the *Reader's Digest*, and wonder on all the changes it led to: all the misery avoided and all the prosperity created.

JOHN BLUNDELL
November 1999

PREFACE TO THE *READER'S DIGEST* CONDENSED VERSION OF *THE ROAD TO SERFDOM*

'In *The Road to Serfdom*', writes Henry Hazlitt in the *New York Times,* 'Friedrich A. Hayek has written one of the most important books of our generation. It restates for our time the issue between liberty and authority. It is an arresting call to all well-intentioned planners and socialists, to all those who are sincere democrats and liberals at heart, to stop, look and listen.'

The author is an internationally known economist. An Austrian by birth, he was director of the Austrian Institute for Economic Research and lecturer in economics at the University of Vienna during the years of the rise of fascism in Central Europe. He has lived in England since 1931 when he became Professor of Economic Science at the University of London, and is now a British citizen.

Professor Hayek, with great power and rigour of reasoning, sounds a grim warning to Americans and Britons who look to the government to provide the way out of all our economic difficulties. He demonstrates that fascism and what the Germans correctly call National Socialism are the inevitable results of the increasing growth of state control and state power, of national 'planning' and of socialism.

In a foreword to *The Road to Serfdom* John Chamberlain, book editor of *Harper's,* writes: 'This book is a warning cry in a time of hesitation. It says to us: Stop, look and listen. Its logic is incontestable, and it should have the widest possible audience.'

SUMMARY

(Jacket notes written by Hayek for the first edition)

- Is there a greater tragedy imaginable than that in our endeavour consciously to shape our future in accordance with high ideals we should in fact unwittingly produce the very opposite of what we have been striving for?
- The contention that only the peculiar wickedness of the Germans has produced the Nazi system is likely to become the excuse for forcing on us the very institutions which have produced that wickedness.
- Totalitarianism is the new word we have adopted to describe the unexpected but nevertheless inseparable manifestations of what in theory we call socialism.
- In a planned system we cannot confine collective action to the tasks on which we agree, but are forced to produce agreement on everything in order that any action can be taken at all.
- The more the state 'plans' the more difficult planning becomes for the individual.
- The economic freedom which is the prerequisite of any other freedom cannot be the freedom from economic care which the socialists promise us and which can be obtained only by relieving the individual at the same time of the necessity and of the power of choice: it must be the freedom of economic activity which, with the right of choice, inevitably also carries the risk and the responsibility of that right.

- What our generation has forgotten is that the system of private property is the most important guarantee of freedom, not only for those who own property, but scarcely less for those who do not.
- We shall never prevent the abuse of power if we are not prepared to limit power in a way which occasionally may prevent its use for desirable purposes.
- We shall all be the gainers if we can create a world fit for small states to live in.
- The first need is to free ourselves of that worst form of contemporary obscurantism which tries to persuade us that what we have done in the recent past was all either wise or unavoidable. We shall not grow wiser before we learn that much that we have done was very foolish.

The *Reader's Digest* condensed version of

The Road to Serfdom

THE ROAD TO SERFDOM

(condensed version, published in the *Reader's Digest*, April 1945 edition)

The author has spent about half his adult life in his native Austria, in close touch with German thought, and the other half in the United States and England. In the latter period he has become increasingly convinced that some of the forces which destroyed freedom in Germany are also at work here.

The very magnitude of the outrages committed by the National Socialists has strengthened the assurance that a totalitarian system cannot happen here. But let us remember that 15 years ago the possibility of such a thing happening in Germany would have appeared just as fantastic not only to nine-tenths of the Germans themselves, but also to the most hostile foreign observer.

There are many features which were then regarded as 'typically German' which are now equally familiar in America and England, and many symptoms that point to a further development in the same direction: the increasing veneration for the state, the fatalistic acceptance of 'inevitable trends', the enthusiasm for 'organization' of everything (we now call it 'planning').

The character of the danger is, if possible, even less understood here than it was in Germany. The supreme tragedy is still not seen that in Germany it was largely people of good will who, by their socialist policies, prepared the way for the forces which stand for everything they detest. Few recognize that the rise of fascism and Marxism was not a reaction against the socialist trends of the

preceding period *but a necessary outcome of those tendencies*. Yet it is significant that many of the leaders of these movements, from Mussolini down (and including Laval and Quisling) began as socialists and ended as fascists or Nazis.

In the democracies at present, many who sincerely hate all of Nazism's manifestations are working for ideals whose realization would lead straight to the abhorred tyranny. Most of the people whose views influence developments are in some measure socialists. They believe that our economic life should be 'consciously directed' that we should substitute 'economic planning' for the competitive system. Yet is there a greater tragedy imaginable than that, in our endeavour consciously to shape our future in accordance with high ideals, we should in fact unwittingly produce the very opposite of what we have been striving for?

Planning and power

In order to achieve their ends the planners must create power – power over men wielded by other men – of a magnitude never before known. Their success will depend on the extent to which they achieve such power. Democracy is an obstacle to this suppression of freedom which the centralized direction of economic activity requires. Hence arises the clash between planning and democracy.

Many socialists have the tragic illusion that by depriving private individuals of the power they possess in an individualist system, and transferring this power to society, they thereby extinguish power. What they overlook is that by concentrating power so that it can be used in the service of a single plan, it is not merely transformed, but infinitely heightened. By uniting in the hands of some single body power formerly exercised independently by

many, an amount of power is created infinitely greater than any that existed before, so much more far-reaching as almost to be different in kind.

It is entirely fallacious to argue that the great power exercised by a central planning board would be 'no greater than the power collectively exercised by private boards of directors'. There is, in a competitive society, nobody who can exercise even a fraction of the power which a socialist planning board would posses. To decentralize power is to reduce the absolute amount of power, and the competitive system is the only system designed to minimize the power exercised by man over man. Who can seriously doubt that the power which a millionaire, who may be my employer, has over me is very much less than that which the smallest bureaucrat possesses who wields the coercive power of the state and on whose discretion it depends how I am allowed to live and work?

In every real sense a badly paid unskilled workman in this country has more freedom to shape his life than many an employer in Germany or a much better paid engineer or manager in Russia. If he wants to change his job or the place where he lives, if he wants to profess certain views or spend his leisure in a particular way, he faces no absolute impediments. There are no dangers to bodily security and freedom that confine him by brute force to the task and environment to which a superior has assigned him.

Our generation has forgotten that the system of private property is the most important guarantee of freedom. It is only because the control of the means of production is divided among many people acting independently that we as individuals can decide what to do with ourselves. When all the means of production are vested in a single hand, whether it be nominally that of 'society' as a whole or that of a dictator, whoever exercises this control has

complete power over us. In the hands of private individuals, what is called economic power can be an instrument of coercion, but it is never control over the whole life of a person. But when economic power is centralized as an instrument of political power it creates a degree of dependence scarcely distinguishable from slavery. It has been well said that, in a country where the sole employer is the state, opposition means death by slow starvation.

Background to danger

Individualism, in contrast to socialism and all other forms of totalitarianism, is based on the respect of Christianity for the individual man and the belief that it is desirable that men should be free to develop their own individual gifts and bents. This philosophy, first fully developed during the Renaissance, grew and spread into what we know as Western civilization. The general direction of social development was one of freeing the individual from the ties which bound him in feudal society.

Perhaps the greatest result of this unchaining of individual energies was the marvellous growth of science. Only since industrial freedom opened the path to the free use of new knowledge, only since everything could be tried – if somebody could be found to back it at his own risk – has science made the great strides which in the last 150 years have changed the face of the world. The result of this growth surpassed all expectations. Wherever the barriers to the free exercise of human ingenuity were removed, man became rapidly able to satisfy ever-widening ranges of desire. By the beginning of the twentieth century the working man in the Western world had reached a degree of material comfort, security and personal independence which 100 years before had hardly seemed possible.

The effect of this success was to create among men a new sense of power over their own fate, the belief in the unbounded possibilities of improving their own lot. What had been achieved came to be regarded as a secure and imperishable possession, acquired once and for all; and the rate of progress began to seem too slow. Moreover the principles which had made this progress possible came to be regarded as obstacles to speedier progress, impatiently to be brushed away. It might be said that the very success of liberalism became the cause of its decline.

No sensible person should have doubted that the economic principles of the nineteenth century were only a beginning – that there were immense possibilities of advancement on the lines on which we had moved. But according to the views now dominant, the question is no longer how we can make the best use of the spontaneous forces found in a free society. We have in effect undertaken to dispense with these forces and to replace them by collective and 'conscious' direction.

It is significant that this abandonment of liberalism, whether expressed as socialism in its more radical form or merely as 'organization' or 'planning', was perfected in Germany. During the last quarter of the nineteenth century and the first quarter of the twentieth, Germany moved far ahead in both the theory and the practice of socialism, so that even today Russian discussion largely carries on where the Germans left off. The Germans, long before the Nazis, were attacking liberalism and democracy, capitalism, and individualism.

Long before the Nazis, too, the German and Italian socialists were using techniques of which the Nazis and fascists later made effective use. The idea of a political party which embraces all activities of the individual from the cradle to the grave, which claims to

guide his views on everything, was first put into practice by the socialists. It was not the fascists but the socialists who began to collect children at the tenderest age into political organization to direct their thinking. It was not the fascists but the socialists who first thought of organizing sports and games, football and hiking, in party clubs where the members would not be infected by other views. It was the socialists who first insisted that the party member should distinguish himself from others by the modes of greeting and the forms of address. It was they who, by their organization of 'cells' and devices for the permanent supervision of private life, created the prototype of the totalitarian party.

By the time Hitler came to power, liberalism was dead in Germany. And it was socialism that had killed it.

To many who have watched the transition from socialism to fascism at close quarters the connection between the two systems has become increasingly obvious, but in the democracies the majority of people still believe that socialism and freedom can be combined. They do not realize that democratic socialism, the great utopia of the last few generations, is not only unachievable, but that to strive for it produces something utterly different – the very destruction of freedom itself. As has been aptly said: 'What has always made the state a hell on earth has been precisely that man has tried to make it his heaven.'

It is disquieting to see in England and the United States today the same drawing together of forces and nearly the same contempt of all that is liberal in the old sense. 'Conservative socialism' was the slogan under which a large number of writers prepared the atmosphere in which National Socialism succeeded. It is 'conservative socialism' which is the dominant trend among us now.

The liberal way of planning

'Planning' owes its popularity largely to the fact that everybody desires, of course, that we should handle our common problems with as much foresight as possible. The dispute between the modern planners and the liberals is *not* on whether we ought to employ systematic thinking in planning our affairs. It is a dispute about what is the best way of so doing. The question is whether we should create conditions under which the knowledge and initiative of individuals are given the best scope so that *they* can plan most successfully; or whether we should direct and organize all economic activities according to a 'blueprint', that is, 'consciously direct the resources of society to conform to the planners' particular views of who should have what'.

It is important not to confuse opposition against the latter kind of planning with a dogmatic *laissez faire* attitude. The liberal argument does not advocate leaving things just as they are; it favours making the best possible use of the forces of competition as a means of coordinating human efforts. It is based on the conviction that, where effective competition can be created, it is a better way of guiding individual efforts than any other. It emphasizes that in order to make competition work beneficially a carefully thought-out legal framework is required, and that neither the past nor the existing legal rules are free from grave defects.

Liberalism is opposed, however, to supplanting competition by inferior methods of guiding economic activity. And it regards competition as superior not only because in most circumstances it is the most efficient method known but because *it is the only method which does not require the coercive or arbitrary intervention of authority*. It dispenses with the need for 'conscious social control' and gives individuals a chance to decide whether the prospects of

a particular occupation are sufficient to compensate for the disadvantages connected with it.

The successful use of competition does not preclude some types of government interference. For instance, to limit working hours, to require certain sanitary arrangements, to provide an extensive system of social services is fully compatible with the preservation of competition. There are, too, certain fields where the system of competition is impracticable. For example, the harmful effects of deforestation or of the smoke of factories cannot be confined to the owner of the property in question. But the fact that we have to resort to direct regulation by authority where the conditions for the proper working of competition cannot be created does not prove that we should suppress competition where it can be made to function. To create conditions in which competition will be as effective as possible, to prevent fraud and deception, to break up monopolies – these tasks provide a wide and unquestioned field for state activity.

This does not mean that it is possible to find some 'middle way' between competition and central direction, though nothing seems at first more plausible, or is more likely to appeal to reasonable people. Mere common sense proves a treacherous guide in this field. Although competition can bear some mixture of regulation, it cannot be combined with planning to any extent we like without ceasing to operate as an effective guide to production. Both competition and central direction become poor and inefficient tools if they are incomplete, and a mixture of the two means that neither will work.

Planning and competition can be combined only by planning *for* competition, not by planning *against* competition. The planning against which all our criticism is directed is solely the planning against competition.

The great utopia

There can be no doubt that most of those in the democracies who demand a central direction of all economic activity still believe that socialism and individual freedom can be combined. Yet socialism was early recognized by many thinkers as the gravest threat to freedom.

It is rarely remembered now that socialism in its beginnings was frankly authoritarian. It began quite openly as a reaction against the liberalism of the French Revolution. The French writers who laid its foundation had no doubt that their ideas could be put into practice only by a strong dictatorial government. The first of modern planners, Saint-Simon, predicted that those who did not obey his proposed planning boards would be 'treated as cattle.'

Nobody saw more clearly than the great political thinker de Tocqueville that democracy stands in an irreconcilable conflict with socialism: 'Democracy extends the sphere of individual freedom,' he said. 'Democracy attaches all possible value to each man,' he said in 1848, 'while socialism makes each man a mere agent, a mere number. Democracy and socialism have nothing in common but one word: equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude.'

To allay these suspicions and to harness to its cart the strongest of all political motives – the craving for freedom – socialists began increasingly to make use of the promise of a 'new freedom'. Socialism was to bring 'economic freedom' without which political freedom was 'not worth having'.

To make this argument sound plausible, the word 'freedom' was subjected to a subtle change in meaning. The word had

formerly meant freedom from coercion, from the arbitrary power of other men. Now it was made to mean freedom from necessity, release from the compulsion of the circumstances which inevitably limit the range of choice of all of us. Freedom in this sense is, of course, merely another name for power or wealth. The demand for the new freedom was thus only another name for the old demand for a redistribution of wealth.

The claim that a planned economy would produce a substantially larger output than the competitive system is being progressively abandoned by most students of the problem. Yet it is this false hope as much as anything which drives us along the road to planning.

Although our modern socialists' promise of greater freedom is genuine and sincere, in recent years observer after observer has been impressed by the unforeseen consequences of socialism, the extraordinary similarity in many respects of the conditions under 'communism' and 'fascism'. As the writer Peter Drucker expressed it in 1939, 'the complete collapse of the belief in the attainability of freedom and equality through Marxism has forced Russia to travel the same road toward a totalitarian society of unfreedom and inequality which Germany has been following. Not that communism and fascism are essentially the same. Fascism is the stage reached after communism has proved an illusion, and it has proved as much an illusion in Russia as in pre-Hitler Germany.'

No less significant is the intellectual outlook of the rank and file in the communist and fascist movements in Germany before 1933. The relative ease with which a young communist could be converted into a Nazi or vice versa was well known, best of all to the propagandists of the two parties. The communists and Nazis clashed more frequently with each other than with other parties

simply because they competed for the same type of mind and reserved for each other the hatred of the heretic. Their practice showed how closely they are related. To both, the real enemy, the man with whom they had nothing in common, was the liberal of the old type. While to the Nazi the communist and to the communist the Nazi, and to both the socialist, are potential recruits made of the right timber, they both know that there can be no compromise between them and those who really believe in individual freedom.

What is promised to us as the Road to Freedom is in fact the Highroad to Servitude. For it is not difficult to see what must be the consequences when democracy embarks upon a course of planning. The goal of the planning will be described by some such vague term as 'the general welfare'. There will be no real agreement as to the ends to be attained, and the effect of the people's agreeing that there must be central planning, without agreeing on the ends, will be rather as if a group of people were to commit themselves to take a journey together without agreeing where they want to go: with the result that they may all have to make a journey which most of them do not want at all.

Democratic assemblies cannot function as planning agencies. They cannot produce agreement on everything – the whole direction of the resources of the nation – for the number of possible courses of action will be legion. Even if a congress could, by proceeding step by step and compromising at each point, agree on some scheme, it would certainly in the end satisfy nobody.

To draw up an economic plan in this fashion is even less possible than, for instance, successfully to plan a military campaign by democratic procedure. As in strategy, it would become inevitable to delegate the task to experts. And even if, by this expedient, a

democracy should succeed in planning every sector of economic activity, it would still have to face the problem of integrating these separate plans into a unitary whole. There will be a stronger and stronger demand that some board or some single individual should be given powers to act on their own responsibility. The cry for an economic dictator is a characteristic stage in the movement toward planning.

Thus the legislative body will be reduced to choosing the persons who are to have practically absolute power. The whole system will tend toward that kind of dictatorship in which the head of government is from time to time confirmed in his position by popular vote, but where he has all the power at his command to make certain that the vote will go in the direction that he desires.

Planning leads to dictatorship because dictatorship is the most effective instrument of coercion and, as such, essential if central planning on a large scale is to be possible. There is no justification for the widespread belief that, so long as power is conferred by democratic procedure, it cannot be arbitrary; it is not the source of power which prevents it from being arbitrary; to be free from dictatorial qualities, the power must also be limited. A true 'dictatorship of the proletariat', even if democratic in form, if it undertook centrally to direct the economic system, would probably destroy personal freedom as completely as any autocracy has ever done.

Individual freedom cannot be reconciled with the supremacy of one single purpose to which the whole of society is permanently subordinated. To a limited extent we ourselves experience this fact in wartime, when subordination of almost everything to the immediate and pressing need is the price at which we preserve our freedom in the long run. The fashionable phrases about doing for the purposes of peace what we have learned to do for the purposes

of war are completely misleading, for it is sensible temporarily to sacrifice freedom in order to make it more secure in the future, but it is quite a different thing to sacrifice liberty permanently in the interests of a planned economy.

To those who have watched the transition from socialism to fascism at close quarters, the connection between the two systems is obvious. The realization of the socialist programme means the destruction of freedom. Democratic socialism, the great utopia of the last few generations, is simply not achievable.

Why the worst get on top

No doubt an American or English 'fascist' system would greatly differ from the Italian or German models; no doubt, if the transition were effected without violence, we might expect to get a better type of leader. Yet this does not mean that our fascist system would in the end prove very different or much less intolerable than its prototypes. There are strong reasons for believing that the worst features of the totalitarian systems are phenomena which totalitarianism is certain sooner or later to produce.

Just as the democratic statesman who sets out to plan economic life will soon be confronted with the alternative of either assuming dictatorial powers or abandoning his plans, so the totalitarian leader would soon have to choose between disregard of ordinary morals and failure. It is for this reason that the unscrupulous are likely to be more successful in a society tending toward totalitarianism. Who does not see this has not yet grasped the full width of the gulf which separates totalitarianism from the essentially individualist Western civilization.

The totalitarian leader must collect around him a group which

is prepared voluntarily to submit to that discipline they are to impose by force upon the rest of the people. That socialism can be put into practice only by methods of which most socialists disapprove is, of course, a lesson learned by many social reformers in the past. The old socialist parties were inhibited by their democratic ideals; they did not possess the ruthlessness required for the performance of their chosen task. It is characteristic that both in Germany and in Italy the success of fascism was preceded by the refusal of the socialist parties to take over the responsibilities of government. They were unwilling wholeheartedly to employ the methods to which they had pointed the way. They still hoped for the miracle of a majority's agreeing on a particular plan for the organization of the whole of society. Others had already learned the lesson that in a planned society the question can no longer be on what do a majority of the people agree but what the largest single group is whose members agree sufficiently to make unified direction of all affairs possible.

There are three main reasons why such a numerous group, with fairly similar views, is not likely to be formed by the best but rather by the worst elements of any society.

First, the higher the education and intelligence of individuals become, the more their tastes and views are differentiated. If we wish to find a high degree of uniformity in outlook, we have to descend to the regions of lower moral and intellectual standards where the more primitive instincts prevail. This does not mean that the majority of people have low moral standards; it merely means that the largest group of people whose values are very similar are the people with low standards.

Second, since this group is not large enough to give sufficient weight to the leader's endeavours, he will have to increase their

numbers by converting more to the same simple creed. He must gain the support of the docile and gullible, who have no strong convictions of their own but are ready to accept a ready-made system of values if it is only drummed into their ears sufficiently loudly and frequently. It will be those whose vague and imperfectly formed ideas are easily swayed and whose passions and emotions are readily aroused who will thus swell the ranks of the totalitarian party.

Third, to weld together a closely coherent body of supporters, the leader must appeal to a common human weakness. It seems to be easier for people to agree on a negative programme – on the hatred of an enemy, on the envy of the better off – than on any positive task.

The contrast between the 'we' and the 'they' is consequently always employed by those who seek the allegiance of huge masses. The enemy may be internal, like the 'Jew' in Germany or the 'kulak' in Russia, or he may be external. In any case, this technique has the great advantage of leaving the leader greater freedom of action than would almost any positive programme.

Advancement within a totalitarian group or party depends largely on a willingness to do immoral things. The principle that the end justifies the means, which in individualist ethics is regarded as the denial of all morals, in collectivist ethics becomes necessarily the supreme rule. There is literally nothing which the consistent collectivist must not be prepared to do if it serves 'the good of the whole', because that is to him the only criterion of what ought to be done.

Once you admit that the individual is merely a means to serve the ends of the higher entity called society or the nation, most of those features of totalitarianism which horrify us follow of

necessity. From the collectivist standpoint intolerance and brutal suppression of dissent, deception and spying, the complete disregard of the life and happiness of the individual are essential and unavoidable. Acts which revolt all our feelings, such as the shooting of hostages or the killing of the old or sick, are treated as mere matters of expediency; the compulsory uprooting and transportation of hundreds of thousands becomes an instrument of policy approved by almost everybody except the victims.

To be a useful assistant in the running of a totalitarian state, therefore, a man must be prepared to break every moral rule he has ever known if this seems necessary to achieve the end set for him. In the totalitarian machine there will be special opportunities for the ruthless and unscrupulous. Neither the Gestapo nor the administration of a concentration camp, neither the Ministry of Propaganda nor the SA or SS (or their Russian counterparts) are suitable places for the exercise of humanitarian feelings. Yet it is through such positions that the road to the highest positions in the totalitarian state leads.

A distinguished American economist, Professor Frank H. Knight, correctly notes that the authorities of a collectivist state 'would have to do these things whether they wanted to or not: and the probability of the people in power being individuals who would dislike the possession and exercise of power is on a level with the probability that an extremely tender-hearted person would get the job of whipping master in a slave plantation'.

A further point should be made here: collectivism means the end of truth. To make a totalitarian system function efficiently it is not enough that everybody should be forced to work for the ends selected by those in control; it is essential that the people should come to regard these ends as their own. This is brought about by

propaganda and by complete control of all sources of information.

The most effective way of making people accept the validity of the values they are to serve is to persuade them that they are really the same as those they have always held, but which were not properly understood or recognized before. And the most efficient technique to this end is to use the old words but change their meaning. Few traits of totalitarian regimes are at the same time so confusing to the superficial observer and yet so characteristic of the whole intellectual climate as this complete perversion of language.

The worst sufferer in this respect is the word 'liberty'. It is a word used as freely in totalitarian states as elsewhere. Indeed, it could almost be said that wherever liberty as we know it has been destroyed, this has been done in the name of some new freedom promised to the people. Even among us we have planners who promise us a 'collective freedom', which is as misleading as anything said by totalitarian politicians. 'Collective freedom' is not the freedom of the members of society, but the unlimited freedom of the planner to do with society that which he pleases. This is the confusion of freedom with power carried to the extreme.

It is not difficult to deprive the great majority of independent thought. But the minority who will retain an inclination to criticize must also be silenced. Public criticism or even expressions of doubt must be suppressed because they tend to weaken support of the regime. As Sidney and Beatrice Webb report of the position in every Russian enterprise: 'Whilst the work is in progress, any public expression of doubt that the plan will be successful is an act of disloyalty and even of treachery because of its possible effect on the will and efforts of the rest of the staff.'

Control extends even to subjects which seem to have no political significance. The theory of relativity, for instance, has been

opposed as a 'Semitic attack on the foundation of Christian and Nordic physics' and because it is 'in conflict with dialectical materialism and Marxist dogma'. *Every* activity must derive its justification from conscious social purpose. There must be no spontaneous, unguided activity, because it might produce results which cannot be foreseen and for which the plan does not provide.

The principle extends even to games and amusements. I leave it to the reader to guess where it was that chess players were officially exhorted that 'we must finish once and for all with the neutrality of chess. We must condemn once and for all the formula chess for the sake of chess.'

Perhaps the most alarming fact is that contempt for intellectual liberty is not a thing which arises only once the totalitarian system is established, but can be found everywhere among those who have embraced a collectivist faith. The worst oppression is condoned if it is committed in the name of socialism. Intolerance of opposing ideas is openly extolled. The tragedy of collectivist thought is that while it starts out to make reason supreme, it ends by destroying reason.

There is one aspect of the change in moral values brought about by the advance of collectivism which provides special food for thought. It is that the virtues which are held less and less in esteem in Britain and America are precisely those on which Anglo-Saxons justly prided themselves and in which they were generally recognized to excel. These virtues were independence and self-reliance, individual initiative and local responsibility, the successful reliance on voluntary activity, non-interference with one's neighbour and tolerance of the different, and a healthy suspicion of power and authority.

Almost all the traditions and institutions which have moulded

the national character and the whole moral climate of England and America are those which the progress of collectivism and its centralistic tendencies are progressively destroying.

Planning vs. the Rule of Law

Nothing distinguishes more clearly a free country from a country under arbitrary government than the observance in the former of the great principles known as the Rule of Law. Stripped of technicalities this means that government in all its actions is bound by rules fixed and announced beforehand – rules that make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances and to plan one's individual affairs on the basis of this knowledge. Thus, within the known rules of the game, the individual is free to pursue his personal ends, certain that the powers of government will not be used deliberately to frustrate his efforts.

Socialist economic planning necessarily involves the very opposite of this. The planning authority cannot tie itself down in advance to general rules which prevent arbitrariness.

When the government has to decide how many pigs are to be raised or how many buses are to run, which coal-mines are to operate, or at what prices shoes are to be sold, these decisions cannot be settled for long periods in advance. They depend inevitably on the circumstances of the moment, and in making such decisions it will always be necessary to balance, one against the other, the interests of various persons and groups.

In the end somebody's views will have to decide whose interests are more important, and these views must become part of the law of the land. Hence the familiar fact that the more the state

'plans', the more difficult planning becomes for the individual.

The difference between the two kinds of rule is important. It is the same as that between providing signposts and commanding people which road to take.

Moreover, under central planning the government cannot be impartial. The state ceases to be a piece of utilitarian machinery intended to help individuals in the fullest development of their individual personality and becomes an institution which deliberately discriminates between particular needs of different people, and allows one man to do what another must be prevented from doing. It must lay down by a legal rule how well off particular people shall be and what different people are to be allowed to have.

The Rule of Law, the absence of legal privileges of particular people designated by authority, is what safeguards that equality before the law which is the opposite of arbitrary government. It is significant that socialists (and Nazis) have always protested against 'merely' formal justice, that they have objected to law which had no views on how well off particular people ought to be, that they have demanded a 'socialization of the law' and attacked the independence of judges.

In a planned society the law must legalize what to all intents and purposes remains arbitrary action. If the law says that such a board or authority may do what it pleases, anything that board or authority does is legal – but its actions are certainly not subject to the Rule of Law. By giving the government unlimited powers the most arbitrary rule can be made legal; and in this way a democracy may set up the most complete despotism imaginable.

The Rule of Law was consciously evolved only during the liberal age and is one of its greatest achievements. It is the legal embodiment of freedom. As Immanuel Kant put it, 'Man is free if he

needs obey no person but solely the laws.'

Is planning 'inevitable'?

It is revealing that few planners today are content to say that central planning is desirable. Most of them affirm that we now are compelled to it by circumstances beyond our control.

One argument frequently heard is that the complexity of modern civilization creates new problems with which we cannot hope to deal effectively except by central planning. This argument is based upon a complete misapprehension of the working of competition. The very complexity of modern conditions makes competition the only method by which a coordination of affairs can be adequately achieved.

There would be no difficulty about efficient control or planning were conditions so simple that a single person or board could effectively survey all the facts. But as the factors which have to be taken into account become numerous and complex, no one centre can keep track of them. The constantly changing conditions of demand and supply of different commodities can never be fully known or quickly enough disseminated by any one centre.

Under competition – and under no other economic order – the price system automatically records all the relevant data. Entrepreneurs, by watching the movement of comparatively few prices, as an engineer watches a few dials, can adjust their activities to those of their fellows.

Compared with this method of solving the economic problem – by decentralization plus automatic coordination through the price system – the method of central direction is incredibly clumsy, primitive, and limited in scope. It is no exaggeration to say

that if we had had to rely on central planning for the growth of our industrial system, it would never have reached the degree of differentiation and flexibility it has attained. Modern civilization has been possible precisely because it did not have to be consciously created. The division of labour has gone far beyond what could have been planned. Any further growth in economic complexity, far from making central direction more necessary, makes it more important than ever that we should use the technique of competition and not depend on conscious control.

It is also argued that technological changes have made competition impossible in a constantly increasing number of fields and that our only choice is between control of production by private monopolies and direction by the government. The growth of monopoly, however, seems not so much a necessary consequence of the advance of technology as the result of the policies pursued in most countries.

The most comprehensive study of this situation is that by the Temporary National Economic Committee, which certainly cannot be accused of an unduly liberal bias. The committee concludes:

> The superior efficiency of large establishments has not been demonstrated; the advantages that are supposed to destroy competition have failed to manifest themselves in many fields . . . the conclusion that the advantage of large-scale production must lead inevitably to the abolition of competition cannot be accepted . . . It should be noted, moreover, that monopoly is frequently attained through collusive agreement and promoted by public policies. When these agreements are invalidated and these policies reversed, competitive conditions can be restored.

Anyone who has observed how aspiring monopolists regularly seek the assistance of the state to make their control effective can have little doubt that there is nothing inevitable about this development. In the United States a highly protectionist policy aided the growth of monopolies. In Germany the growth of cartels has since 1878 been systematically fostered by deliberate policy. It was here that, with the help of the state, the first great experiment in 'scientific planning' and 'conscious organization of industry' led to the creation of giant monopolies. The suppression of competition was a matter of deliberate policy in Germany, undertaken in the service of an ideal which we now call planning.

Great danger lies in the policies of two powerful groups, organized capital and organized labour, which support the monopolistic organization of industry. The recent growth of monopoly is largely the result of a deliberate collaboration of organized capital and organized labour where the privileged groups of labour share in the monopoly profits at the expense of the community and particularly at the expense of those employed in the less well organized industries. However, there is no reason to believe that this movement is inevitable.

The movement toward planning is the result of deliberate action. No external necessities force us to it.

Can planning free us from care?

Most planners who have seriously considered the practical aspects of their task have little doubt that a directed economy must be run on dictatorial lines, that the complex system of interrelated activities must be directed by staffs of experts, with ultimate power in the hands of a commander-in-chief whose actions must not be

fettered by democratic procedure. The consolation our planners offer us is that this authoritarian direction will apply 'only' to economic matters. This assurance is usually accompanied by the suggestion that, by giving up freedom in the less important aspects of our lives, we shall obtain freedom in the pursuit of higher values. On this ground people who abhor the idea of a political dictatorship often clamour for a dictator in the economic field.

The arguments used appeal to our best instincts. If planning really did free us from less important cares and so made it easier to render our existence one of plain living and high thinking, who would wish to belittle such an ideal?

Unfortunately, purely economic ends cannot be separated from the other ends of life. What is misleadingly called the 'economic motive' means merely the desire for general opportunity. If we strive for money, it is because money offers us the widest choice in enjoying the fruits of our efforts – once earned, we are free to spend the money as we wish.

Because it is through the limitation of our money incomes that we feel the restrictions which our relative poverty still imposes on us, many have come to hate money as the symbol of these restrictions. Actually, money is one of the greatest instruments of freedom ever invented by man. It is money which in existing society opens an astounding range of choice to the poor man – a range greater than that which not many generations ago was open to the wealthy.

We shall better understand the significance of the service of money if we consider what it would really mean if, as so many socialists characteristically propose, the 'pecuniary motive' were largely displaced by 'non-economic incentives'. If all rewards, instead of being offered in money, were offered in the form of public

distinctions, or privileges, positions of power over other men, better housing or food, opportunities for travel or education, this would merely mean that the recipient would no longer be allowed to choose, and that whoever fixed the reward would determine not only its size but the way in which it should be enjoyed.

The so-called economic freedom which the planners promise us means precisely that we are to be relieved of the necessity of solving our own economic problems and that the bitter choices which this often involves are to be made for us. Since under modern conditions we are for almost everything dependent on means which our fellow men provide, economic planning would involve direction of almost the whole of our life. There is hardly an aspect of it, from our primary needs to our relations with our family and friends, from the nature of our work to the use of our leisure, over which the planner would not exercise his 'conscious control'.

The power of the planner over our private lives would be hardly less effective if the consumer were nominally free to spend his income as he pleased, for the authority would control production.

Our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another. But if we face a monopolist we are at his mercy. And an authority directing the whole economic system would be the most powerful monopolist imaginable.

It would have complete power to decide what we are to be given and on what terms. It would not only decide what commodities and services are to be available and in what quantities; it would be able to direct their distribution between districts and groups and could, if it wished, discriminate between persons to any degree it liked. Not our own view, but somebody else's view of what we ought to like or dislike, would determine what we should get.

The will of the authority would shape and 'guide' our daily lives even more in our position as producers. For most of us the time we spend at our work is a large part of our whole lives, and our job usually determines the place where and the people among whom we live. Hence some freedom in choosing our work is probably even more important for our happiness than freedom to spend our income during our hours of leisure.

Even in the best of worlds this freedom will be limited. Few people ever have an abundance of choice of occupation. But what matters is that we have some choice, that we are not absolutely tied to a job which has been chosen for us, and that if one position becomes intolerable, or if we set our heart on another, there is always a way for the able, at some sacrifice, to achieve his goal. Nothing makes conditions more unbearable than the knowledge that no effort of ours can change them. It may be bad to be just a cog in a machine but it is infinitely worse if we can no longer leave it, if we are tied to our place and to the superiors who have been chosen for us.

In our present world there is much that could be done to improve our opportunities of choice. But 'planning' would surely go in the opposite direction. Planning must control the entry into the different trades and occupations, or the terms of remuneration, or both. In almost all known instances of planning, the establishment of such controls and restrictions was among the first measures taken.

In a competitive society most things can be had at a price. It is often a cruelly high price. We must sacrifice one thing to attain another. The alternative, however, is not freedom of choice, but orders and prohibitions which must be obeyed.

That people should wish to be relieved of the bitter choice

which hard facts often impose on them is not surprising. But few want to be relieved through having the choice made for them by others. People just wish that the choice should not be necessary at all. And they are only too ready to believe that the choice is not really necessary, that it is imposed upon them merely by the particular economic system under which we live. What they resent is, in truth, that there is an economic problem.

The wishful delusion that there is really no longer an economic problem has been furthered by the claim that a planned economy would produce a substantially larger output than the competitive system. This claim, however, is being progressively abandoned by most students of the problem. Even a good many economists with socialist views are now content to hope that a planned society will equal the efficiency of a competitive system. They advocate planning because it will enable us to secure a more equitable distribution of wealth. And it is indisputable that, if we want consciously to decide who is to have what, we must plan the whole economic system.

But the question remains whether the price we should have to pay for the realization of somebody's ideal of justice is not bound to be more discontent and more oppression than was ever caused by the much abused free play of economic forces.

For when a government undertakes to distribute the wealth, by what principles will it or ought it to be guided? Is there a definite answer to the innumerable questions of relative merits that will arise?

Only one general principle, one simple rule, would provide such an answer: absolute equality of all individuals. If this were the goal, it would at least give the vague idea of distributive justice clear meaning. But people in general do not regard mechanical

equality of this kind as desirable, and socialism promises not complete equality but 'greater equality'.

This formula answers practically no questions. It does not free us from the necessity of deciding in every particular instance between the merits of particular individuals or groups, and it gives no help in that decision. All it tells us in effect is to take from the rich as much as we can. When it comes to the distribution of the spoils the problem is the same as if the formula of 'greater equality' had never been conceived.

It is often said that political freedom is meaningless without economic freedom. This is true enough, but in a sense almost opposite from that in which the phrase is used by our planners. The economic freedom which is the prerequisite of any other freedom cannot be the freedom from economic care which the socialists promise us and which can be obtained only by relieving us of the power of choice. It must be that freedom of economic activity which, together with the right of choice, carries also the risk and responsibility of that right.

Two kinds of security

Like the spurious 'economic freedom', and with more justice, economic security is often represented as an indispensable condition of real liberty. In a sense this is both true and important. Independence of mind or strength of character is rarely found among those who cannot be confident that they will make their way by their own effort.

But there are two kinds of security: the certainty of a given minimum of sustenance for all and the security of a given standard of life, of the relative position which one person or group enjoys compared with others.

There is no reason why, in a society which has reached the general level of wealth ours has, the first kind of security should not be guaranteed to all without endangering general freedom; that is: some minimum of food, shelter and clothing, sufficient to preserve health. Nor is there any reason why the state should not help to organize a comprehensive system of social insurance in providing for those common hazards of life against which few can make adequate provision.

It is planning for security of the second kind which has such an insidious effect on liberty. It is planning designed to protect individuals or groups against diminutions of their incomes.

If, as has become increasingly true, the members of each trade in which conditions improve are allowed to exclude others in order to secure to themselves the full gain in the form of higher wages or profits, those in the trades where demand has fallen off have nowhere to go, and every change results in large unemployment. There can be little doubt that it is largely a consequence of the striving for security by these means in the last decades that unemployment and thus insecurity have so much increased.

The utter hopelessness of the position of those who, in a society which has thus grown rigid, are left outside the range of sheltered occupation can be appreciated only by those who have experienced it. There has never been a more cruel exploitation of one class by another than that of the less fortunate members of a group of producers by the well-established. This has been made possible by the 'regulation' of competition. Few catchwords have done so much harm as the ideal of a 'stabilization' of particular prices or wages, which, while securing the income of some, makes the position of the rest more and more precarious.

In England and America special privileges, especially in the

form of the 'regulation' of competition, the 'stabilization' of particular prices and wages, have assumed increasing importance. With every grant of such security to one group the insecurity of the rest necessarily increases. If you guarantee to some a fixed part of a variable cake, the share left to the rest is bound to fluctuate proportionally more than the size of the whole. And the essential element of security which the competitive system offers, the great variety of opportunities, is more and more reduced.

The general endeavour to achieve security by restrictive measures, supported by the state, has in the course of time produced a progressive transformation of society – a transformation in which, as in so many other ways, Germany has led and the other countries have followed. This development has been hastened by another effect of socialist teaching, the deliberate disparagement of all activities involving economic risk and the moral opprobrium cast on the gains which make risks worth taking but which only few can win.

We cannot blame our young men when they prefer the safe, salaried position to the risk of enterprise after they have heard from their earliest youth the former described as the superior, more unselfish and disinterested occupation. The younger generation of today has grown up in a world in which, in school and press, the spirit of commercial enterprise has been represented as disreputable and the making of profit as immoral, where to employ 100 people is represented as exploitation but to command the same number as honourable.

Older people may regard this as exaggeration, but the daily experience of the university teacher leaves little doubt that, as a result of anti-capitalist propaganda, values have already altered far in advance of the change in institutions which has so far taken place. The question is whether, by changing our institutions to sat-

isfy the new demands, we shall not unwittingly destroy values which we still rate higher.

The conflict with which we have to deal is a fundamental one between two irreconcilable types of social organization, which have often been described as the commercial and the military. In either both choice and risk rest with the individual or he is relieved of both. In the army, work and worker alike are allotted by authority, and this is the only system in which the individual can be conceded full economic security. This security is, however, inseparable from the restrictions on liberty and the hierarchical order of military life – it is the security of the barracks.

In a society used to freedom it is unlikely that many people would be ready deliberately to purchase security at this price. But the policies which are followed now are nevertheless rapidly creating conditions in which the striving for security tends to become stronger than the love of freedom.

If we are not to destroy individual freedom, competition must be left to function unobstructed. Let a uniform minimum be secured to everybody by all means; but let us admit at the same time that all claims for a privileged security of particular classes must lapse, that all excuses disappear for allowing particular groups to exclude newcomers from sharing their relative prosperity in order to maintain a special standard of their own.

There can be no question that adequate security against severe privation will have to be one of our main goals of policy. But nothing is more fatal than the present fashion of intellectual leaders of extolling security at the expense of freedom. It is essential that we should re-learn frankly to face the fact that freedom can be had only at a price and that as individuals we must be prepared to make severe material sacrifices to preserve it.

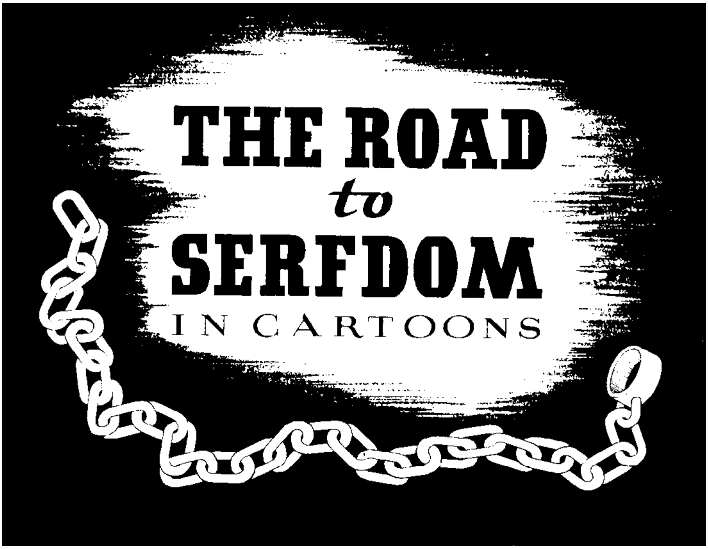
We must regain the conviction on which liberty in the Anglo-Saxon countries has been based and which Benjamin Franklin expressed in a phrase applicable to us as individuals no less than as nations: 'Those who would give up essential liberty to purchase a little temporary safety deserve neither liberty nor safety.'

Toward a better world

To build a better world, we must have the courage to make a new start. We must clear away the obstacles with which human folly has recently encumbered our path and release the creative energy of individuals. We must create conditions favourable to progress rather than 'planning progress'.

It is not those who cry for more 'planning' who show the necessary courage, nor those who preach a 'New Order', which is no more than a continuation of the tendencies of the past 40 years, and who can think of nothing better than to imitate Hitler. It is, indeed, those who cry loudest for a planned economy who are most completely under the sway of the ideas which have created this war and most of the evils from which we suffer.

The guiding principle in any attempt to create a world of free men must be this: a policy of freedom for the individual is the only truly progressive policy.



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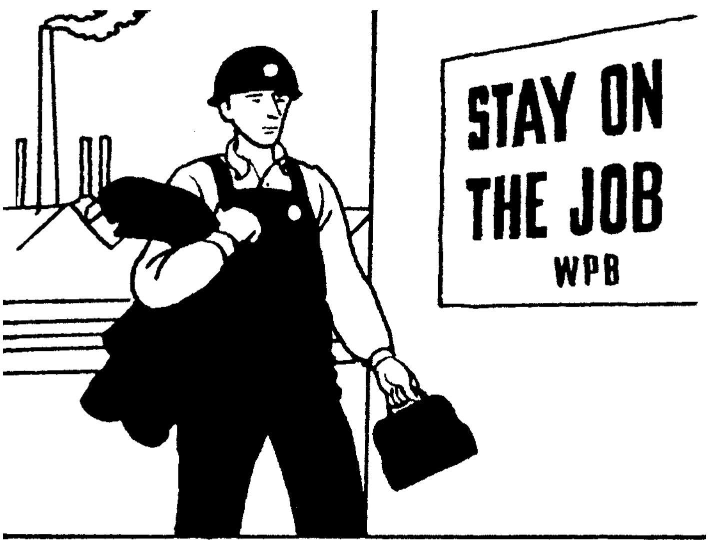
Reproduced from a booklet published by
General Motors, Detroit, in the 'Thought Starter' series (no. 118)

THE ROAD TO SERFDOM

❶

War forces "national planning"

To permit total mobilization of your country's economy, you gladly surrender many freedoms. You know regimentation was forced by your country's enemies.



THE ROAD TO SERFDOM

2

Many want "planning" to stay . . .

Arguments for a "peace production board" are heard before the war ends. Wartime "planners" who want to stay in power, encourage the idea.



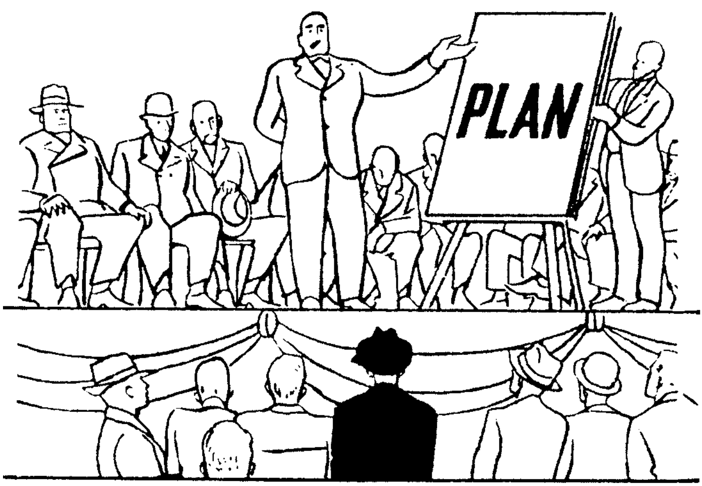
THE ROAD TO SERFDOM

❸

The "Planners" promise Utopias . . . .

A rosy plan for farmers goes well in rural areas, a plan for industrial workers is popular in cities—and so on. Many new "planners" are elected to office

→

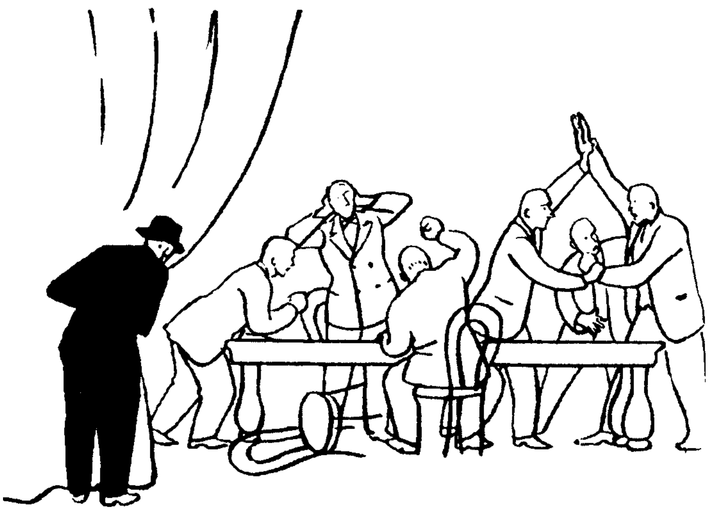


THE ROAD TO SERFDOM

4

but they can't agree on ONE Utopia

With peace, a new legislature meets; but "win the war" unity is gone. The "planners" nearly come to blows. Each has his own pet plan, won't budge.

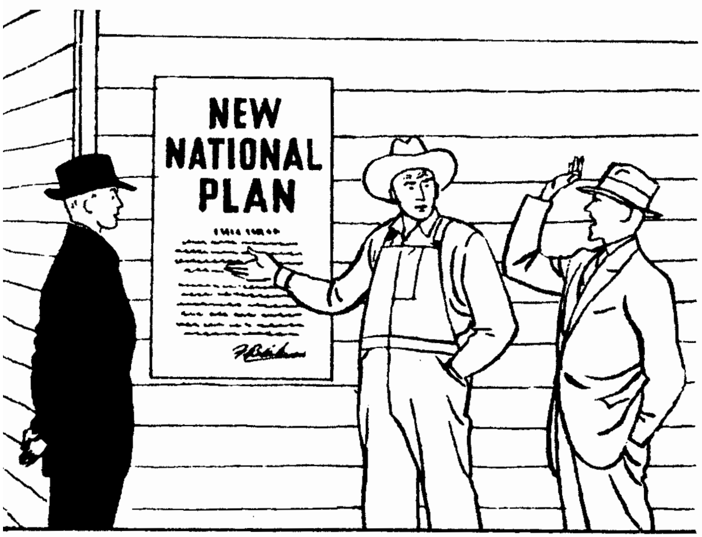


THE ROAD TO SERFDOM

5

And citizens can't agree either . . . .

When the "planners" finally patch up a temporary plan months later, citizens in turn disagree. What the farmer likes, the factory worker doesn't like.



THE ROAD TO SERFDOM

6

"Planners" hate to force agreement . . .

Most "national planners" are well-meaning idealists, balk at any use of force. They hope for some miracle of public agreement as to their patchwork plan.



T H E   R O A D   T O   S E R F D O M

7

They try to "sell" the plan to all . . .

In an unsuccessful effort to educate people to uniform views, "planners" establish a giant propaganda machine —*which coming dictator will find handy.*

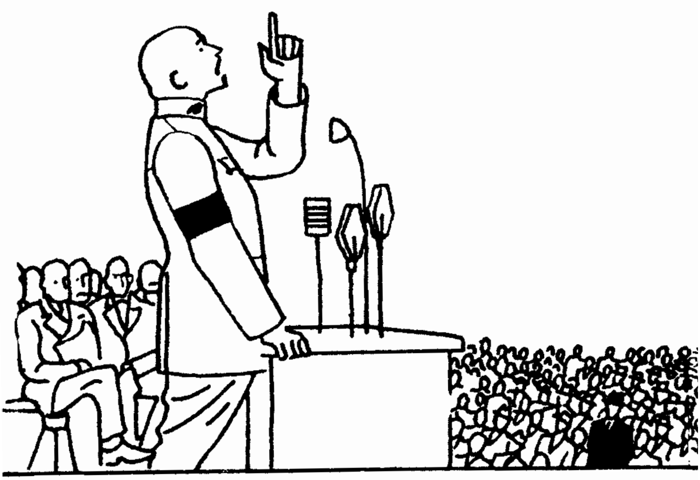


THE ROAD TO SERFDOM

8

The gullible do find agreement . . . .

Meanwhile, growing national confusion leads to protest meetings. The least educated—thrilled and convinced by fiery oratory, form a party.



THE ROAD TO SERFDOM

9

Confidence in "planners" fades . . . .

The more that the "planners" improvise, the greater the disturbance to normal business. Everybody suffers. People now feel—rightly—that "planners" *can't get things done!*

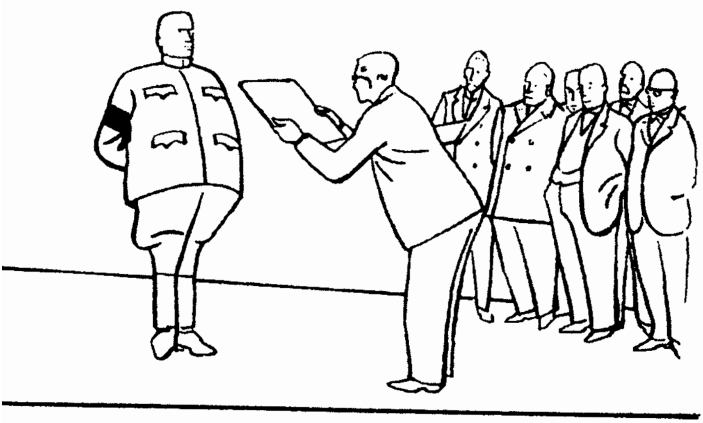


THE ROAD TO SERFDOM

10

The "strong man" is given power . . .

In desperation, "planners" authorize the new party leader to hammer out a plan and force its obedience. Later, they'll dispense with him—*or so they think*.



THE ROAD TO SERFDOM

11

The party takes over the country . . .

By now, confusion is so great that obedience to the new leader must be obtained at all costs. Maybe you join the party yourself to aid national unity.



THE ROAD TO SERFDOM

12

A *negative* aim welds party unity . . .

Early step of all dictators is to inflame the majority in common cause against some scapegoat minority. In Germany, the negative aim was *Anti-Semitism.*

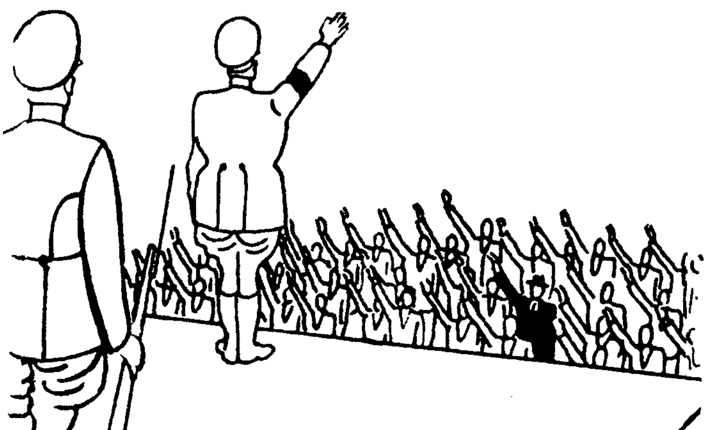


THE ROAD TO SERFDOM

13

No one opposes the leader's plan . . .

It would be suicide; new secret police are ruthless. Ability to force obedience always becomes the No. 1 virtue in the "planned state." Now *all* freedom is gone.

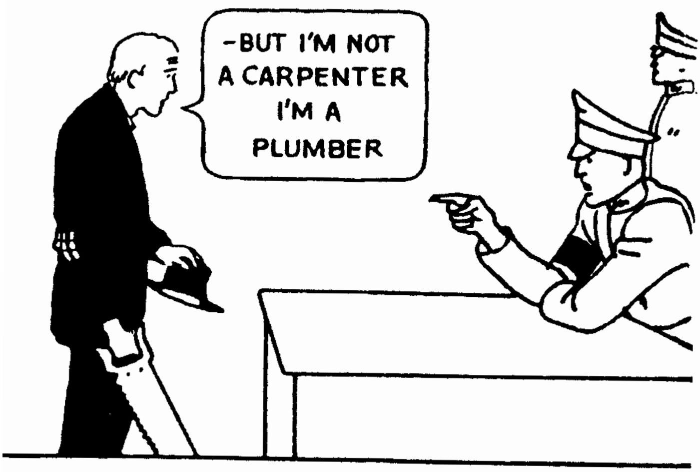


THE ROAD TO SERFDOM

14

Your profession is "planned" . . . .

The wider job choice promised by now defunct "planners" turns out to be a tragic farce. "Planners" never have delivered, never will be able to.

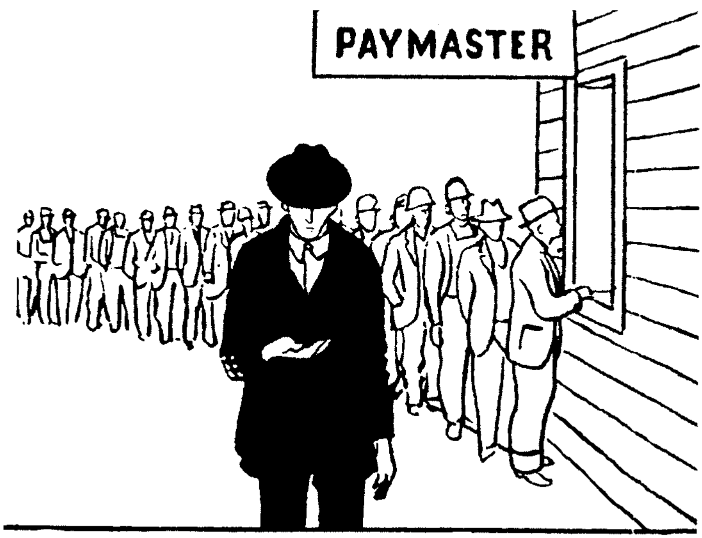


THE ROAD TO SERFDOM

15

Your wages are "planned" . . . .

Divisions of the wage scale must be arbitrary and rigid. Running a "planned state" from central headquarters is *clumsy, unfair, inefficient.*

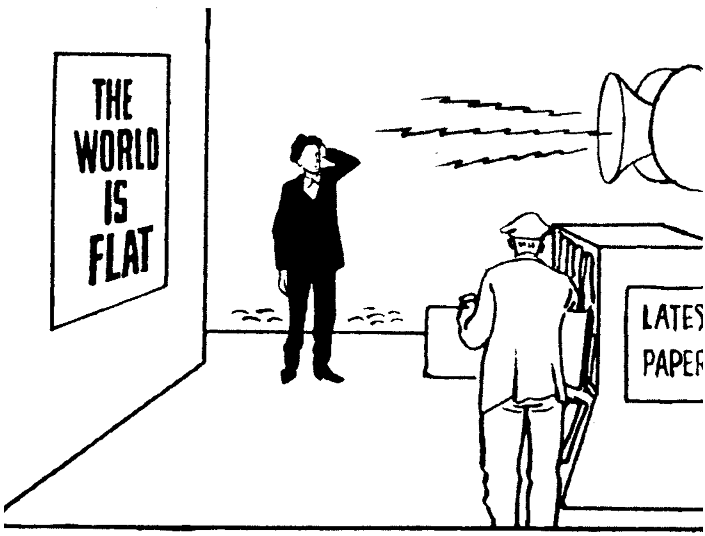


THE ROAD TO SERFDOM

16

Your thinking is "planned" . . . .

In the dictatorship, unintentionally created by the planners, there is no room for difference of opinion. Posters, radio, press—*all tell you the same lies!*

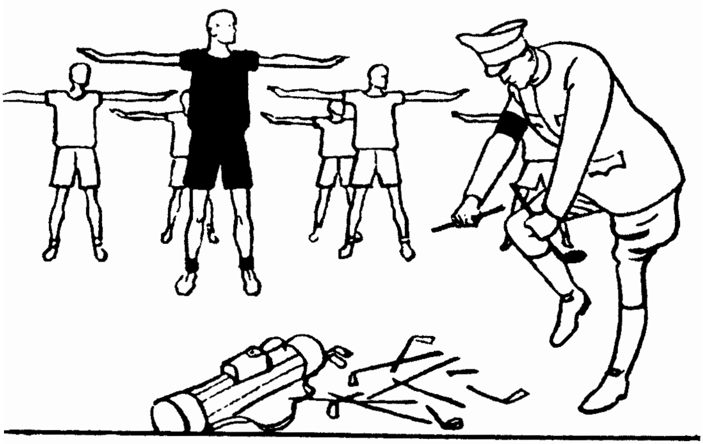


THE ROAD TO SERFDOM

17

Your recreation is "planned" . . . .

It is no coincidence that sports and amusements have been carefully "planned" in all regimented nations. Once started, "planners" can't stop.

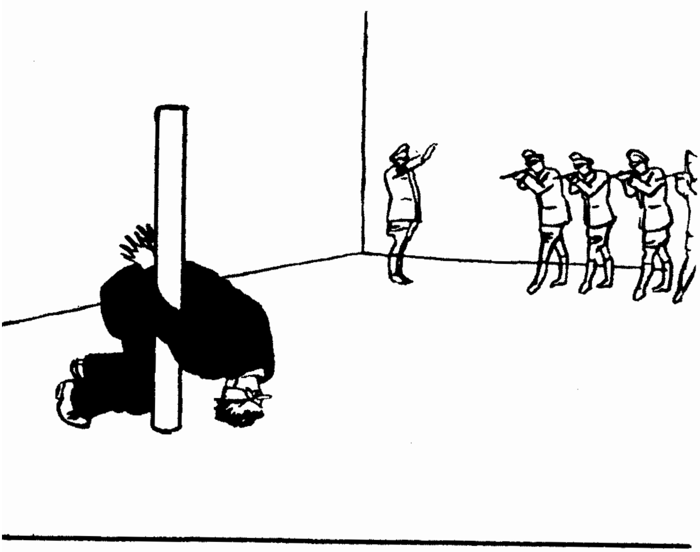


THE ROAD TO SERFDOM

18

Your disciplining is "planned" . . . .

If you're fired from your job, it's apt to be by a firing squad. What used to be an *error* has now become a *crime* against the state. ***Thus ends the road to serfdom!***



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